

# Fourth Quarter and Full Year 2011 Financial Results Conference Call

**Andrei Gusev, X5 Chief Executive Officer**  
**Kieran Balfe, X5, Chief Financial Officer**  
**Moscow, Russian Federation**  
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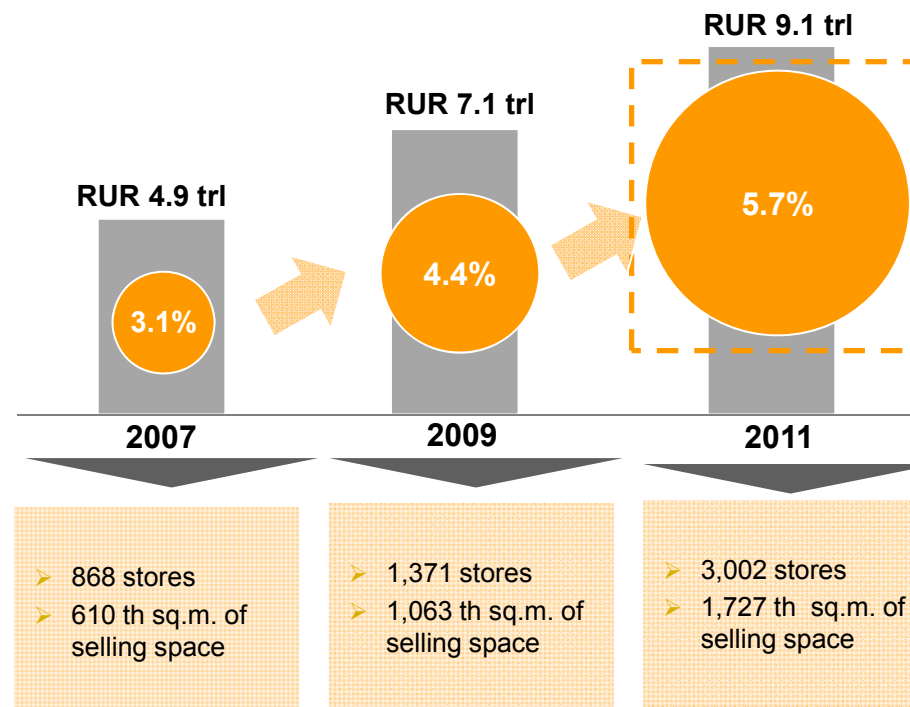
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## Russia's Leading Food Retailers

#	Company name	Sales 2011, USD mln <sup>(2)</sup>	% in Top-10	% in total market <sup>(3)</sup>
1	X5RETAILGROUP X5	15,397	29.0%	5.7%
2	<b>МАГНИТ</b> Magnit	11,420	21.5%	4.2%
3	<b>Auchan</b> Auchan	6,965	13.1%	2.6%
4	<b>МЕТРО</b> Metro	5,405	10.2%	2.0%
5	<b>Д ДИКСИ</b> Dixy <sup>(4)</sup>	4,143	7.8%	1.5%
6	<b>О'KEY</b> O'key	3,138	5.9%	1.2%
7	<b>ЛЕНТА</b> Lenta	2,823	5.3%	1.0%
8	<b>СЕДЬМОЙ КОНТИНЕНТ</b> 7th Continent	1,767	3.3%	0.6%
9	<b>МОНЕТКА</b> Monetka	997	1.9%	0.4%
10	<b>ХОЛИДЕЙ КЛАССИК</b> Holiday Classic	994	1.9%	0.4%
	<b>Total</b>	<b>53,050</b>	<b>100.0%</b>	<b>19.5%</b>

## Evolution of X5 Market Share



Notes:

(1) Based on net sales

(2) Net retail sales for FY2011, X5 estimates for non-public companies

(3) Based on estimated gross sales, i.e. including VAT; total market size (food retail) – USD 310 bln in 2011 as reported by Rosstat

(4) Based on pro-forma results

## Our Business

- Russia's **largest food retailer** in terms of sales – 5.7% of total food retail market
- **Multi-format brand** retail operator: **Pyaterochka** (Soft Discounter), **Perekrestok** (Supermarket), **Karusel** (Hypermarket) plus assorted brand name convenience stores

## 2011 Operating Results

- Total number of stores – **3,002** with **net selling space** of **1,727 th sq. m.**
- Total number of Distribution Centers (DCs) – **29**; number of trucks – over **1,300**
- Over **1.6 bln check-out transactions** recorded in 2011, a 35% year-on-year increase
- Operations in **533 locations** across **European Russia** and **Ukraine**
- **#1 position** in **Moscow** and **St. Petersburg** in terms of number of stores
- **Leading position** in Russian cities with **population ≥ 500,000**

## 2011 Financial Results

- Consolidated **net sales** increased by **37.0%** in **USD terms** to **USD 15.5 bln**
- **Gross margin** in FY 2011 = **23.8%** (in Q4 2011 = **24.7%**)
- **EBITDA margin** in FY 2011 = **7.3%** (in Q4 2011 = **8.7%**)
- **Return on Equity (ROE)** of **13.8%**

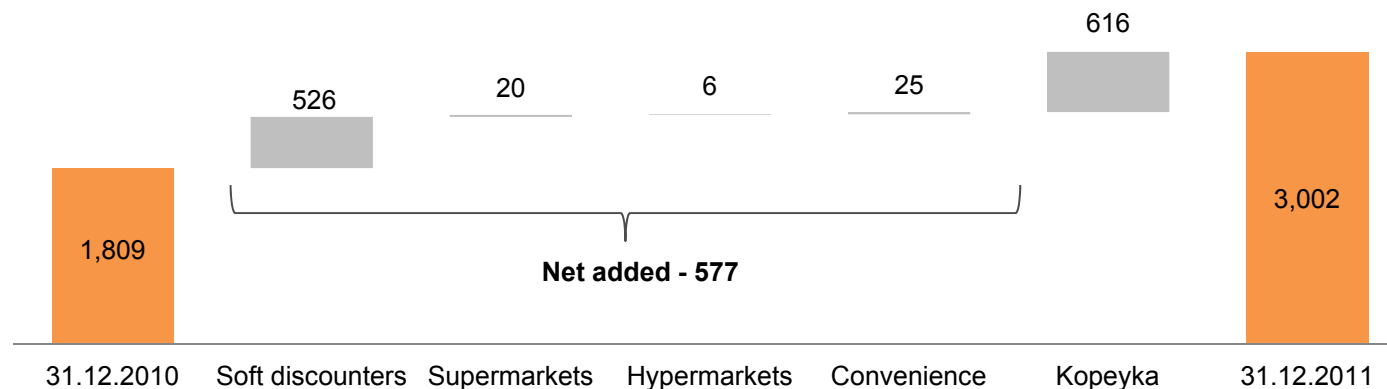
Objective	Guidance
<b>Focus on Sales &amp; Margins</b>	<ul style="list-style-type: none"> <li>• <b>Net retail sales growth of 15% to 20%</b></li> <li>• Maintain <b>EBITDA margin above 7%</b></li> <li>• Strong sales results, expected in second half 2012</li> </ul>
<b>Invest in Growth</b>	<ul style="list-style-type: none"> <li>• <b>CapEx target</b> of approximately <b>RUR 45 bln</b> for record <b>expansion</b>:               <ul style="list-style-type: none"> <li>– New stores ~ 60%; Logistics &amp; IT ~ 30%; Reconstruction ~ 10%</li> </ul> </li> <li>• Approximately <b>18% net increase in retail selling space</b> (300,000 sq. m.)</li> </ul>
<b>Improve Customer Experience</b>	<ul style="list-style-type: none"> <li>• <b>Soft Discounters</b>: lead the market in offering low prices and convenient location</li> <li>• <b>Supermarkets</b>: focus on Quality and enhanced fresh offerings (especially fruits and vegetables), supported by original promotions and advertising campaigns</li> <li>• <b>Hypermarkets</b>: move to uniform, smaller-size stores with improved assortment and layout – create a unique hypermarket value proposition with strong customer appeals</li> </ul>

## Operational Overview



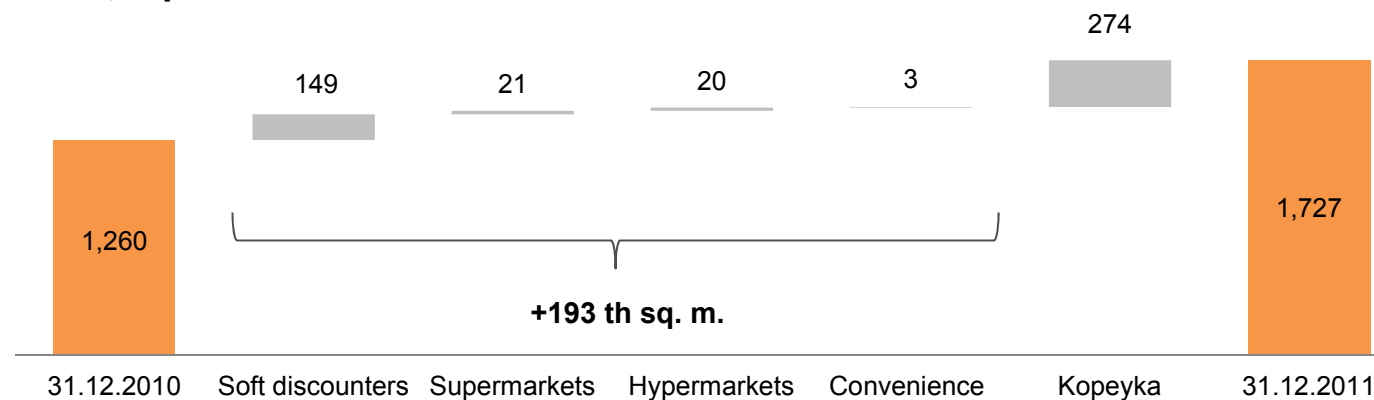
Store openings by format, # of stores

In 2011, our managed store base increased by 65.9%...



Increase in retail space by format, sq. m.

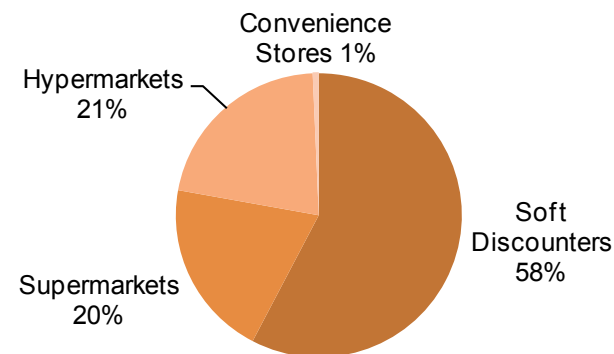
... while sales area increased by 37.0%



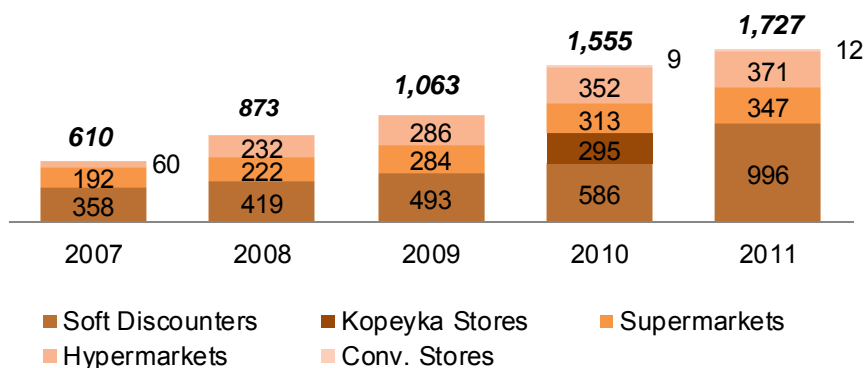
## Comments

- **Net additions in Q4 2011 – 217 stores** (198 soft discounters, 9 supermarkets, 5 hypermarkets, 5 convenience stores)
  - ✓ Total net selling space expansion – **86 th sq. m.**
- **FY 2011 net organic additions – 577 stores** (526 soft discounters, 20 supermarkets, 6 hypermarkets, 25 convenience stores)
  - ✓ Total net selling space expansion – **172 th sq. m.**
- **In FY 2011 X5 converted 616 Kopeyka stores** (607 to soft discounters and 9 to supermarkets)

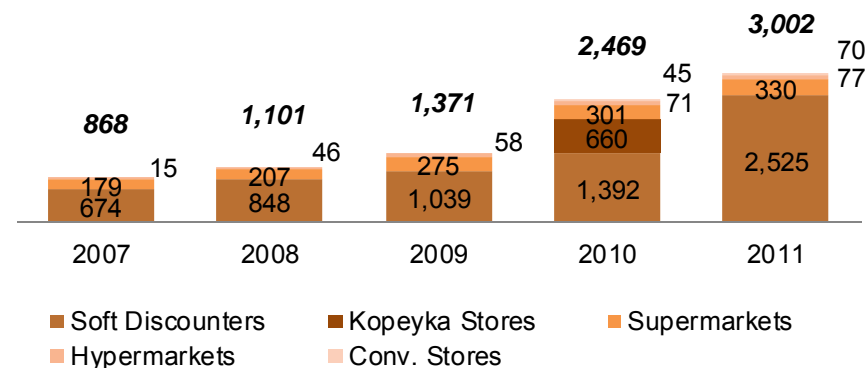
## Selling Area by Format<sup>(1)</sup>



## Net Selling Space<sup>(1)</sup>, th sq. m.

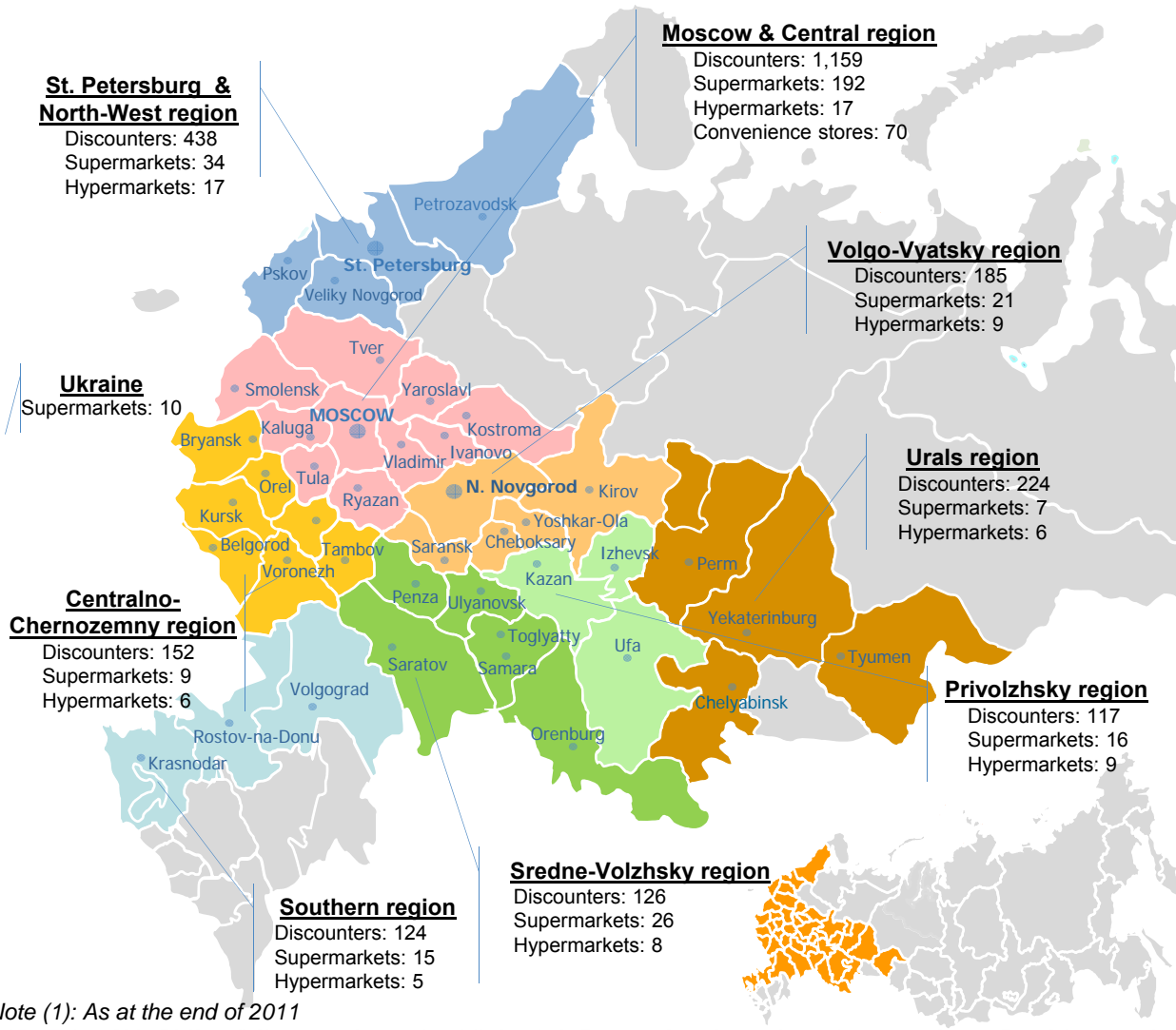


## Number of Stores<sup>(1)</sup>



Note (1): As of 31 December 2011





**Store Base Overview**

- 533 locations in European Russia and Ukraine
- Total number of stores – 3,002 (1,727 th sq. m. selling space), including:
  - ✓ 2,525 Pyaterochka soft discounters
  - ✓ 330 Perekrestok supermarkets
  - ✓ 77 Karusel and Pyaterochka-Maxi hypermarkets
  - ✓ 70 convenience stores

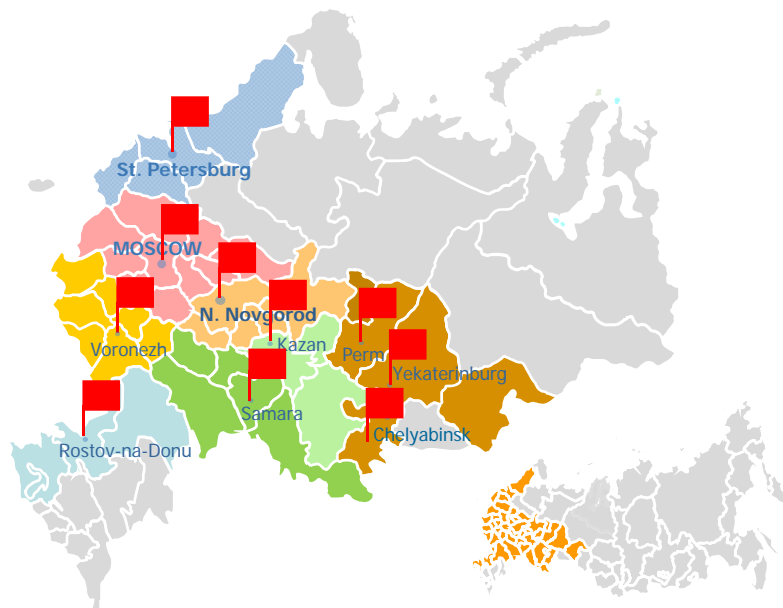
**2011 Managed Store Base Expansion**

Region	Disc.	Super.	Hyper.	Conv.	Total
Central	592	20	3	25	640
North-West	80	1	-	-	81
Regions	461	8	3	-	472
<b>Total</b>	<b>1,133</b>	<b>29</b>	<b>6</b>	<b>25</b>	<b>1,193</b>

Note (1): As at the end of 2011



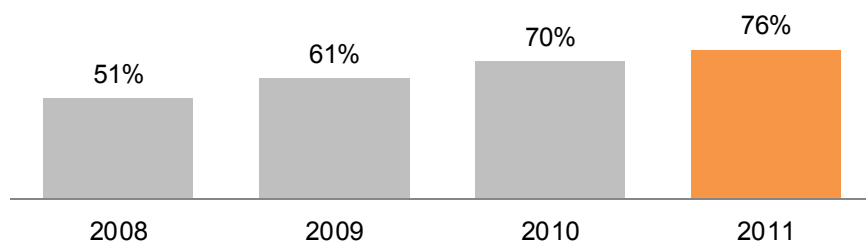
Distribution Center (DC) Locations



Warehouse Space

Region	Space, th sq. m. 31-12-2010	Space, th sq. m. 31-12-2011	Net added in FY 2011	# of DCs 31-12-2011
Central	217.8	302.3	84.5	12
North-West	70.4	81.7	11.3	5
V.-Vyatsky	17.5	29.8	12.3	2
Urals	34.7	27.7	(7.0)	4
Chernozemny	23.5	33.7	10.2	2
Sr.-Volzhsky	13.4	20.1	6.7	2
South	15.6	15.6	-	1
Privolzhsky	13.1	13.1	-	1
<b>Total</b>	<b>406.0</b>	<b>524.0</b>	<b>118.0</b>	<b>29</b>

Centralization Level



Comments

- Operational DC in each operating region
- 29.1% Y-o-Y increase in warehouse space
- Company truck fleet increased by more than 63% during 2011 from 800 to over 1,300

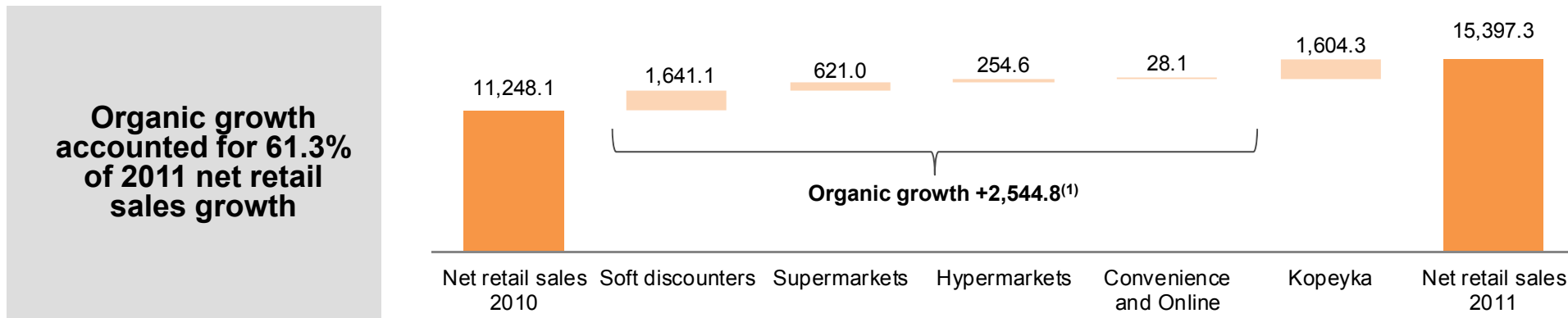
## Financial Overview – 2011 vs. 2010



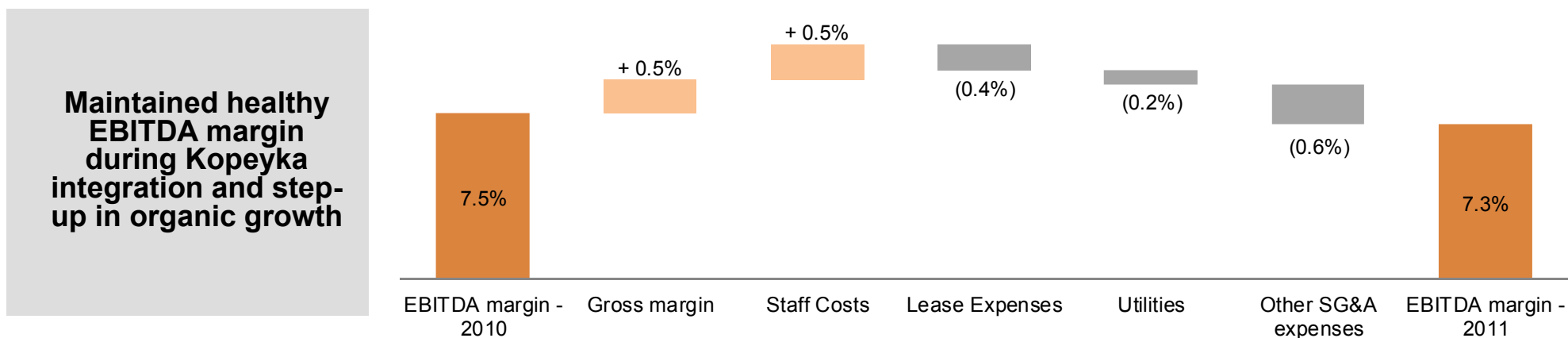
USD mln	2011	2010	+/( - )	+/( - )%
Retail sales	15,397.3	11,248.1	4,149.2	36.9%
Total revenues	15,455.1	11,280.5	4,174.6	37.0%
COGS	(11,776.1)	(8,651.7)	3,124.4	36.1%
<i>Gross margin</i>	23.8%	23.3%	-	-
EBITDA	1,130.2	843.6	286.7	34.0%
<i>EBITDA margin</i>	7.3%	7.5%	-	-
Effective income tax rate	25.4%	29.8%	-	-
Net profit	302.2	271.2	30.9	11.4%
<i>Profit margin</i>	2.0%	2.4%	-	-
Earnings per share (EPS)	4.44	4.01	0.43	10.7%
Diluted EPS	4.44	3.99	0.45	11.3%
Capex <sup>(1)</sup>	911.2	1,536.2	(625.0)	(40.7)%
Net debt	3,225.0	3,414.0	(189.0)	(5.5)%

Note (1): 2010 Capex includes the Kopeyka acquisition for USD 1,090 mln in December while acquired stores come under X5 management on 1 April 2011

Increase in net retail sales by format, USD mln



Sustainable EBITDA margin



Note (1): Including sales of 24 stores from acquisition of Narodny retail chain in Tatarstan

USD mln	FY 2011	% of Net Sales	FY 2010	% of Net Sales	% change y-o-y
Staff Costs	(1,294.3)	8.4%	(1,002.1)	8.9%	29.2%
Lease Expenses	(565.4)	3.7%	(372.1)	3.3%	52.0%
Other Store Costs	(211.7)	1.4%	(151.0)	1.3%	40.1%
D&A	(428.3)	2.8%	(298.5)	2.6%	43.5%
Utilities	(326.8)	2.1%	(214.3)	1.9%	52.5%
Third Party Services	(110.7)	0.7%	(99.7)	0.9%	11.0%
Other Expenses	(234.1)	1.5%	(86.6)	0.8%	170.3%
<b>Total SG&amp;A</b>	<b>(3,171.2)</b>	<b>20.5%</b>	<b>(2,224.4)</b>	<b>19.7%</b>	<b>42.6%</b>

SG&A expenses increased by 80 bp y-o-y to 20.5% as a percentage of total revenue primarily due to Kopeyka integration and the following factors:

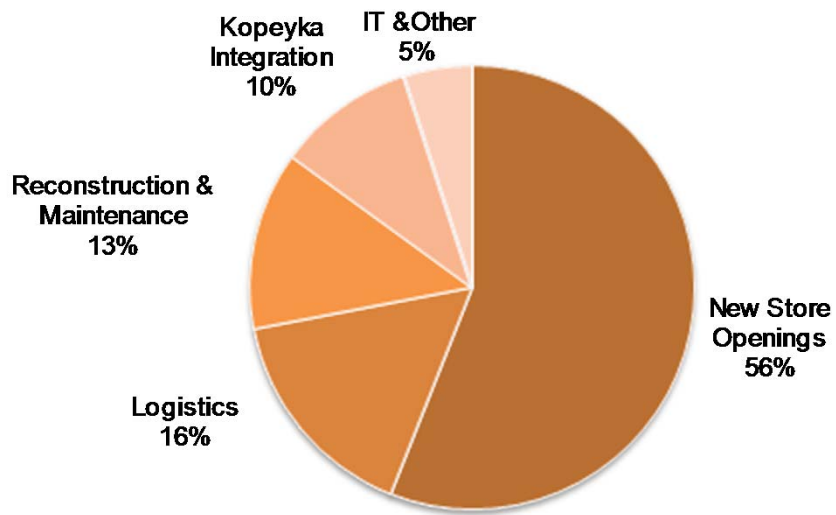
- staff costs decreased 50 bp y-o-y as a percentage of revenue to 8.4% driven by income received as a result of the remeasurement of ESOP liabilities productivity initiatives, which helped mitigate increases in the social tax rate and one-off costs associated with the integration of Kopeyka
- lease expenses rose 40 bp y-o-y as percentage of sales to 3.7% , due to an increase in leased space as a % of our real estate portfolio to 53.6% in 2011 compared to 51.6% in 2010
- other expenses increased by 75 bp, as a percentage of net sales, to 1.5% primarily due to the provision of USD 59.3 mln for impairment of trade and other accounts receivable

USD mln	FY 2011	FY 2010	+/( - )	+/- % change
<b>Net Cash From Operating Activities</b>	<b>926</b>	<b>378</b>	<b>548</b>	<b>145%</b>
<i>Net Cash from Operating Activities before Changes in Working Capital</i>	1,189	900	289	32%
<i>Change in Working Capital</i>	174	(251)	425	n/a
<i>Net Interest and Income Tax Paid</i>	(437)	(271)	(166)	61%
<b>Net Cash Used in Investing Activities</b>	<b>(894)</b>	<b>(1,548)</b>	<b>654</b>	<b>(42%)</b>
<b>Net Cash From Financing Activities</b>	<b>111</b>	<b>1,066</b>	<b>(955)</b>	<b>(90%)</b>
<i>Effect of Exchange Rate Changes on Cash &amp; Cash Equivalents</i>	(29)	(37)	8	(21%)
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>114</b>	<b>(141)</b>	<b>255</b>	<b>n/a</b>

- **Net Cash From Operating activities** driven by significant improvement in working capital position in 2011 vs. 2010, on more efficient management of both inventory levels and payable terms with suppliers.
- **Net Cash Used in Investing Activities** decreased in 2011 and Organic CapEx was significantly lower the initial budget due to:
  - Kopeyka integration was completed at half the initial projected cost without compromising on quality;
  - better terms from contractors on store equipment and other services due to the volume of X5's purchases;
  - majority of organic new store additions as opposed to acquisitions in 2011, lowering overall expansion costs.
- **Net Cash From Financing Activities** in 2011 increased due to short-term movements in cash flow, primarily RUR denominated bilateral loans used to finance working capital needs.

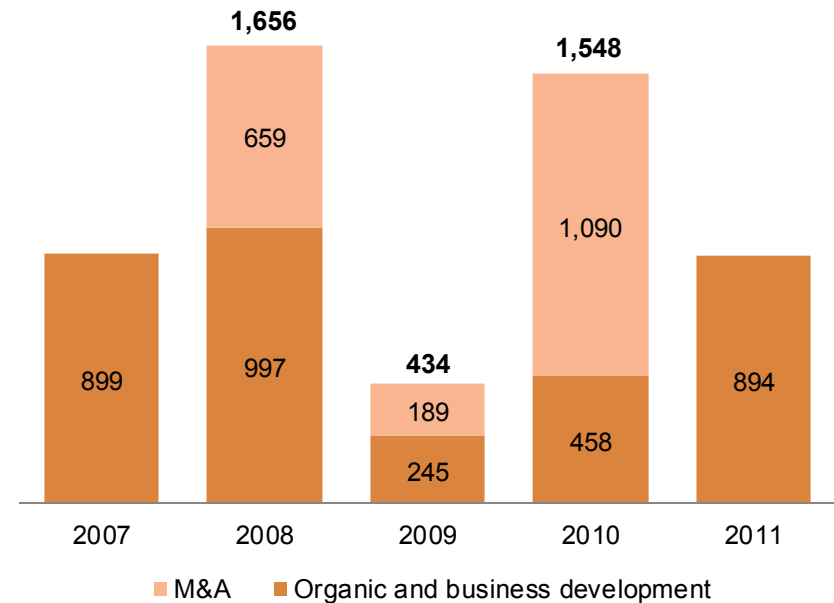
**2011 CapEx program fully financed from internally generated cash flows**

Capital Expenditures in 2011 – USD 911 mln



Total 2011 CapEx was 22.9% lower than budget

Net Cash Flows From Investing Activities, USD mln



Approximately 70% of 5-year CFI for organic growth and infrastructure projects

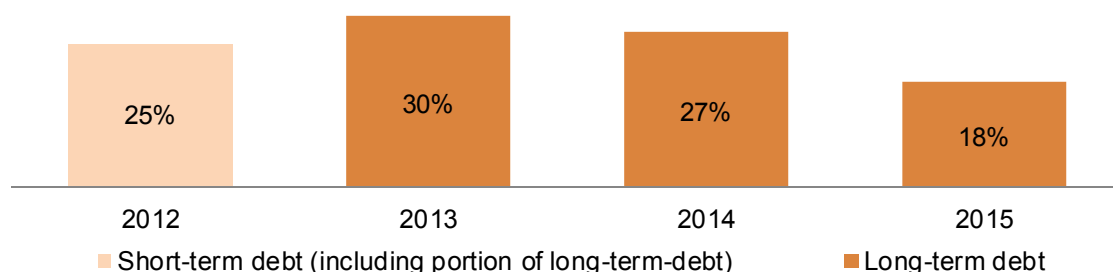


USD mln	31 December 2011	31 December 2010	+/( - )	+/( - )%
<b>Total current assets</b>	<b>2,051.3</b>	<b>2,058.2</b>	<b>(6.9)</b>	<b>(0.3)%</b>
<i>Incl. Cash &amp; cash equivalents</i>	385.0	270.8	114.2	42.2%
<i>Incl. Inventories</i>	895.0	1,014.3	(119.3)	(11.8)%
<b>Total non-current assets</b>	<b>6,759.0</b>	<b>6,705.8</b>	<b>53.2</b>	<b>0.8%</b>
<i>Incl. Net PP&amp;E</i>	3,824.9	3,591.0	233.9	6.5%
<i>Incl. Goodwill</i>	1,957.9	2,025.2	(67.3)	(3.3)%
<b>Total assets</b>	<b>8,810.2</b>	<b>8,764.0</b>	<b>46.2</b>	<b>0.5%</b>
<b>Total current liabilities</b>	<b>3,704.2</b>	<b>3,264.7</b>	<b>439.5</b>	<b>13.5%</b>
<i>Incl. ST debt</i>	913.2	508.0	405.2	79.8%
<i>Incl. Trade accounts payable</i>	1,906.4	1,851.1	55.3	3.0%
<b>Total non-current liabilities</b>	<b>2,910.0</b>	<b>3,452.1</b>	<b>(542.1)</b>	<b>(15.7)%</b>
<i>Incl. LT debt</i>	2,696.9	3,176.8	(479.9)	(15.1)%
<b>Total liabilities</b>	<b>6,614.2</b>	<b>6,716.8</b>	<b>(102.6)</b>	<b>(1.5)%</b>
<b>Total equity</b>	<b>2,196.0</b>	<b>2,047.2</b>	<b>148.8</b>	<b>(7.3)%</b>
<b>Total liabilities &amp; equity</b>	<b>8,810.2</b>	<b>8,764.0</b>	<b>46.2</b>	<b>0.5%</b>

## Debt profile

USD mln	31-Dec-11	% in total	30-Sep-11	% in total	31-Dec-10	% in total
<b>Total Debt</b>	<b>3,610.0</b>		<b>3,578.0</b>		<b>3,684.8</b>	
Short-Term Debt	913.2	25.3%	770.9	21.5%	508.0	13.8%
Long-Term Debt	2,696.9	74.7%	2,807.1	78.5%	3,176.8	86.2%
<b>Net Debt / (Net Cash)</b>	<b>3,225.0</b>		<b>3,451.6</b>		<b>3,414.0</b>	
Denominated in USD	(9.5)	-	390.5	11.3%	385.8	11.3%
Denominated in RUR	3,234.5	100.0%	3,061.1	88.7%	3,028.2	88.7%
RR/USD exch. rate, EoP	32.20		31.88		30.48	
<b>Net Debt/EBITDA (RUR)<sup>(1)</sup></b>	<b>3.13 x</b>		<b>3.57 x<sup>(2)</sup></b>		<b>3.70x<sup>(2)</sup></b>	

## Debt Portfolio Maturity Structure



Notes:

(1) Debt covenants are set in RUR terms in accordance with loan facilities the Company maintains

(2) Based on consolidated EBITDA, including Kopeyka for the previous 12 months

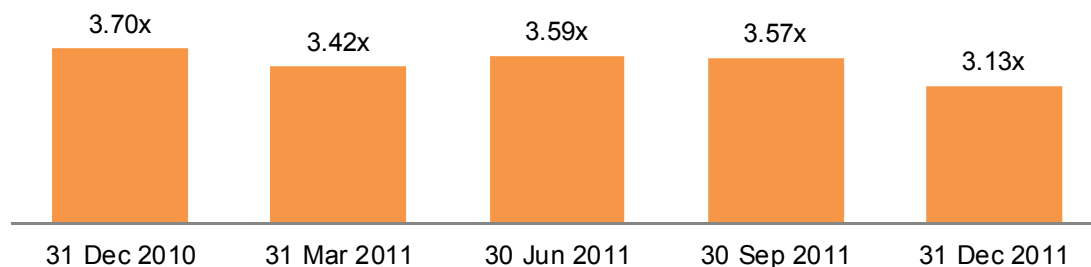
## Comments

- X5's net debt to EBITDA ratio improved significantly to 3.13x compared to 3.70x at the end of 2010.
- In Q4 2011, X5 fully refinanced its debt portfolio into Russian Roubles, reducing the impact of future exchange rate volatility on reported financial results.

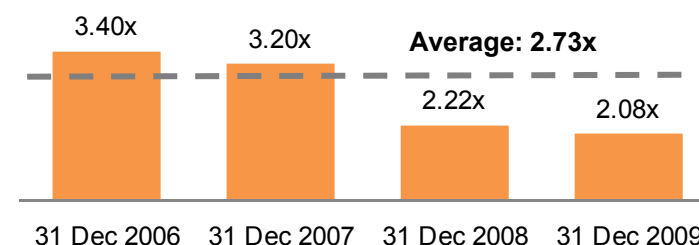
## Comments

- Balanced maturity structure of X5's debt:
  - 12% of the total debt portfolio to be refinanced in 2012 (in addition to short-term revolving loans)
  - Debt maturing in 2012 will be refinanced by credit facilities from Russian and International banks and new bonds issues
- In 2012 X5 plans to continue negotiations with Banks in order to increase average maturity of its debt portfolio

### Improved Net debt/EBITDA in 2011



### Historical Average



### Stable Leverage and Liquidity Metrics

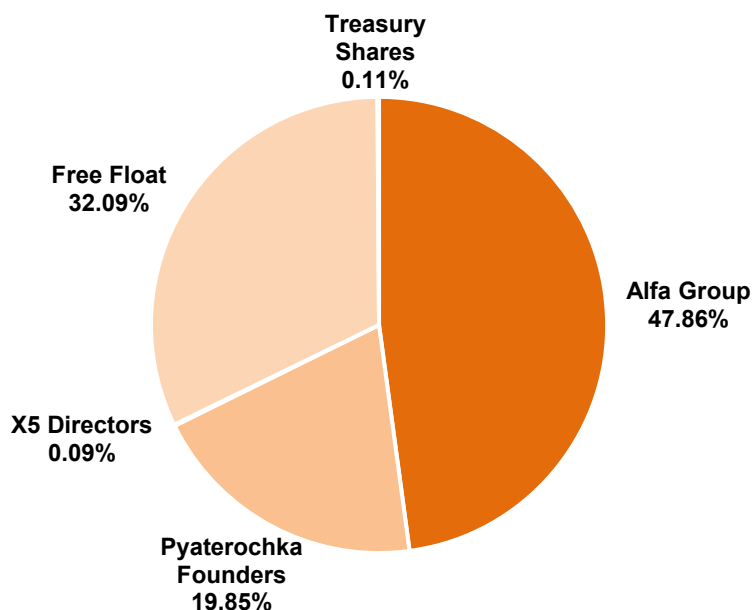
Metric	2008	2009	2010	2011
Net Debt / EBITDA <sup>(1)</sup>	2.22x	2.08x	3.70x	3.13x
Interest Coverage ratio	4.91x	4.77x	4.58x	3.74x
Cash Balance, USD mln	277	412	271	385
Credit lines, USD mln	2,426	2,499	3,205	4,200
including undrawn, USD mln	367	555	1,129	1,600

### Comments

- As of 31 December 2011 – RUR-denominated revolving credit facilities of ~RUR 134.4 bln (~USD 4.2 bln) from Russian and international banks
  - of this, ~RUR 53.1 bln (~ USD 1.6 bln) was undrawn

Note (1): Since H2 2011, Net debt/EBITDA covenant is set in RUR terms in accordance with loan facilities the Company maintains. Prior to that Net debt/EBITDA ratio covenant was set in USD terms. Net Debt/EBITDA ratios for 31 Dec 2010 and 31 Mar 2011 are recalculated in RUB terms for consistency reasons

Share Capital<sup>(1)</sup>



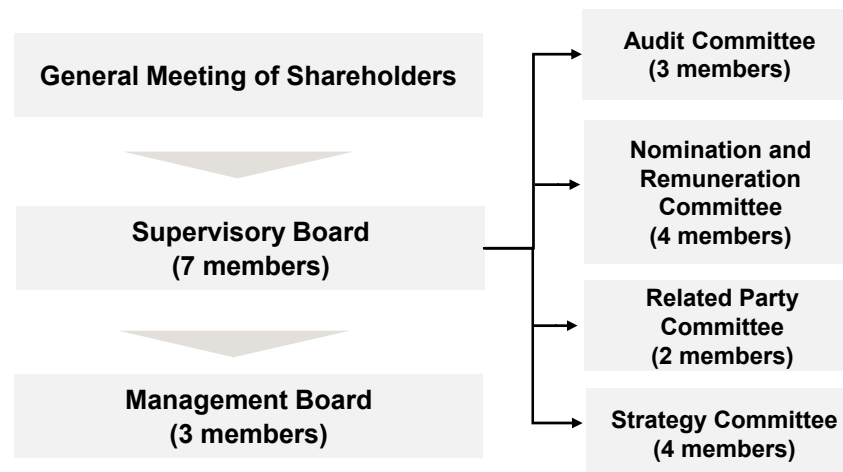
- The Company's shares are listed on the London Stock Exchange in the form of Global Depositary Receipts (GDRs)
- Each GDR represents an interest of 0.25 of one ordinary share
- X5's share capital consisted of 67,893,218 issued ordinary shares, with a nominal value of €1.00 each. This represents an equivalent of 271,572,872 GDRs

Notes:

(1): As of 31 December 2011

(2) Mr. Ashurkov will not stand for reelection to the Supervisory Board at X5's AGM in June 2012

Corporate Governance



Supervisory Board

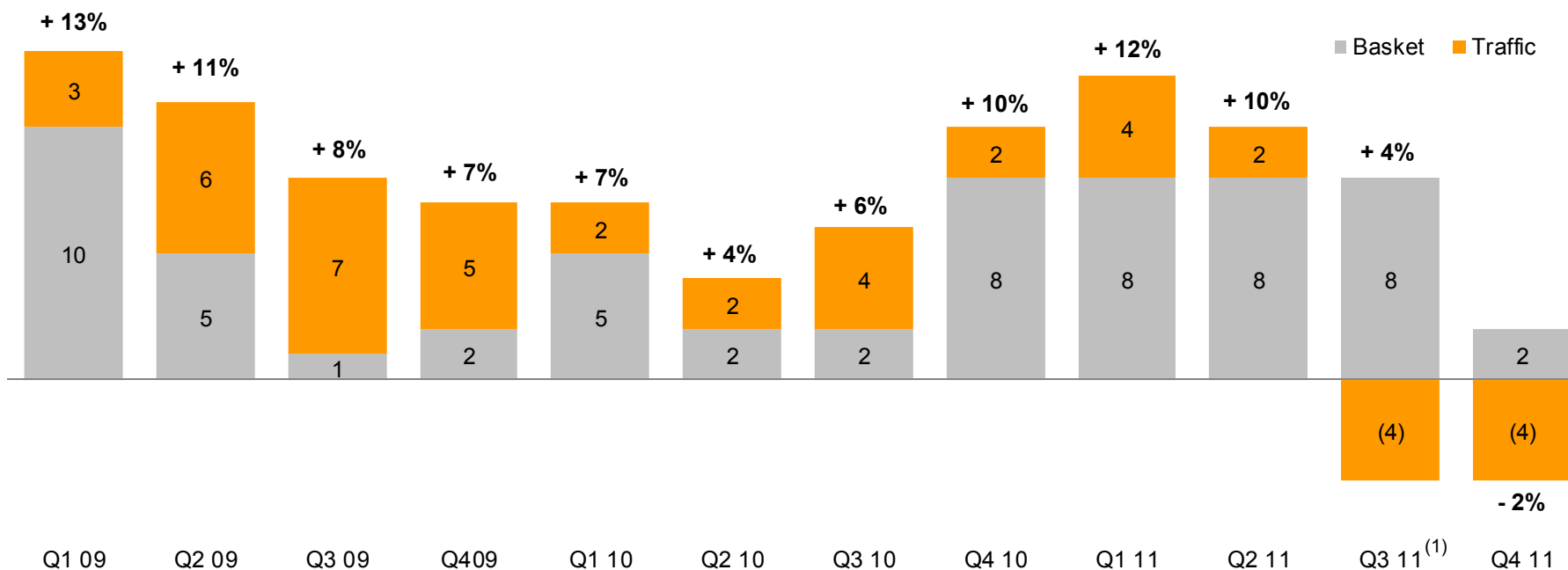
Name	Position	Independent Non-Executive Director
Mr. Hervé Defforey	Chairman	✓
Mr. Mikhail Fridman	Member	
Mr. David Gould	Member	
Mr. Vladimir Ashurkov <sup>(2)</sup>	Member	
Mr. Alexander Tynkovan	Member	✓
Mr. Stephan DuCharme	Member	✓
Mr. Christian Couvreur	Member	✓

## Quarterly Financial Overview



USD mln	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	y-o-y <sup>(1)</sup> ,%	q-o-q <sup>(1)</sup> ,%
Retail sales	3,469.5	3,826.1	4,006.0	3,610.7	3,954.6	14.0%	9.5%
Total revenues	3,482.8	3,845.4	4,021.4	3,623.0	3,965.3	13.9%	9.4%
COGS	2,715.8	2,931.8	3,075.2	2,784.7	2,984.4	9.9%	7.2%
<i>Gross margin</i>	22.0%	23.8%	23.5%	23.1%	24.7%	-	-
EBITDA	250.4	281.1	284.9	219.8	344.5	37.6%	56.7%
<i>EBITDA margin</i>	7.2%	7.3%	7.1%	6.1%	8.7%	-	-
Effective income tax rate	25.1%	26.1%	26.3%	-	24.3%	-	-
Net profit	87.9	96.9	73.5	(2.1)	134.0	52.4%	11.4%
<i>Profit margin</i>	2.5%	2.5%	1.8%	(0.1%)	3.4%	-	-
Capex	1,293.3	98.2	188.2	203.8	421.0	-	-
Net debt	3,414.0	3,656.5	3,946.9	3,451.6	3,225.0	(5.5%)	(6.6%)

Note (1): Y-o-Y growth (%) refers to Q4 2011 vs Q4 2010, Q-o-Q growth (%) refers to Q4 2011 vs Q3 2011



LFL in 2H2011 negatively impacted by traffic redistribution resulting from the 65% increase in X5's managed store base and high base

Note (1): Kopeyka integration completed



Q4 10	% of Net Sales	Q4 11	% of Net Sales	USD mln	Q3 11	% of Net sales	Q4 11	% of Net sales
(293.5)	8.4%	(322.6)	8.1%	<b>Staff Costs</b>	(318.8)	8.8%	(322.6)	8.1%
(111.0)	3.2%	(136.7)	3.4%	<b>Lease Expenses</b>	(145.9)	4.0%	(136.7)	3.4%
(45.3)	1.3%	(53.3)	1.3%	<b>Other Store Costs</b>	(54.2)	1.5%	(53.3)	1.3%
(84.3)	2.4%	(106.1)	2.7%	<b>D&amp;A</b>	(103.7)	2.9%	(106.1)	2.7%
(62.8)	1.8%	(82.1)	2.1%	<b>Utilities</b>	(70.4)	1.9%	(82.1)	2.1%
(42.0)	1.2%	(28.0)	0.7%	<b>Third Party Services</b>	(26.9)	0.7%	(28.0)	0.7%
(6.1)	0.2%	(70.8)	1.8%	<b>Other Expenses</b>	(45.3)	1.3%	(70.8)	1.8%
<b>(645.0)</b>	<b>18.5%</b>	<b>(799.6)</b>	<b>20.2%</b>	<b>Total SG&amp;A</b>	<b>(765.1)</b>	<b>21.1%</b>	<b>(799.6)</b>	<b>20.2%</b>



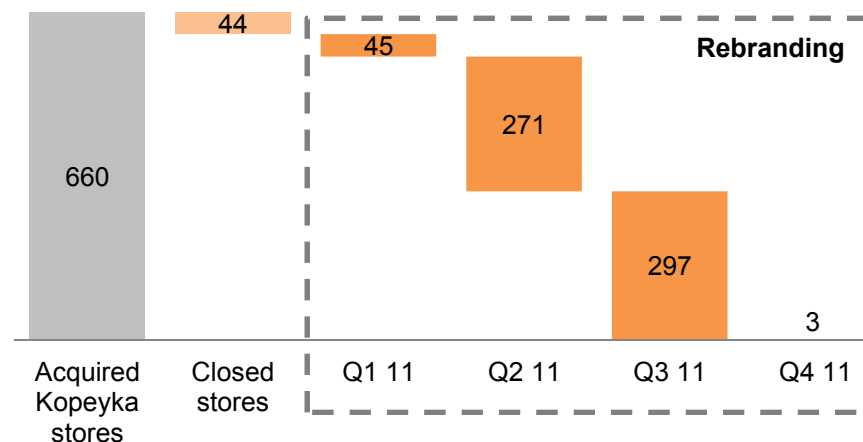
## Appendices



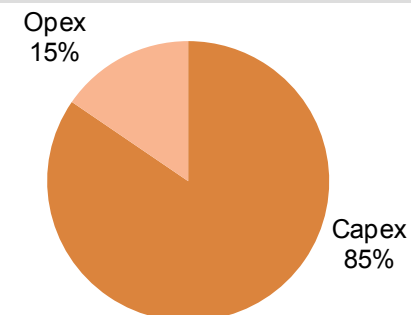
## Integration – Key facts

<b>Fast-tracked integration</b>	Substantial efforts to upgrade stores to X5's standards and integrate within one year.
<b>Rebranding</b>	Soft discounters & supermarkets closed for approx. 15 and 45 days, respectively for renovation
<b>Renovation</b>	Rebranded stores offer wider assortment, lower prices, higher quality and more focus on fresh items and also feature new equipment, improved store layout and traffic flow for a better shopping experience
<b>Logistics</b>	Five former Kopeyka distribution centres (DCs) were integrated into X5's logistics infrastructure
<b>Personnel</b>	Over 2,500 former Kopeyka employees participated in X5's training courses since January 2011

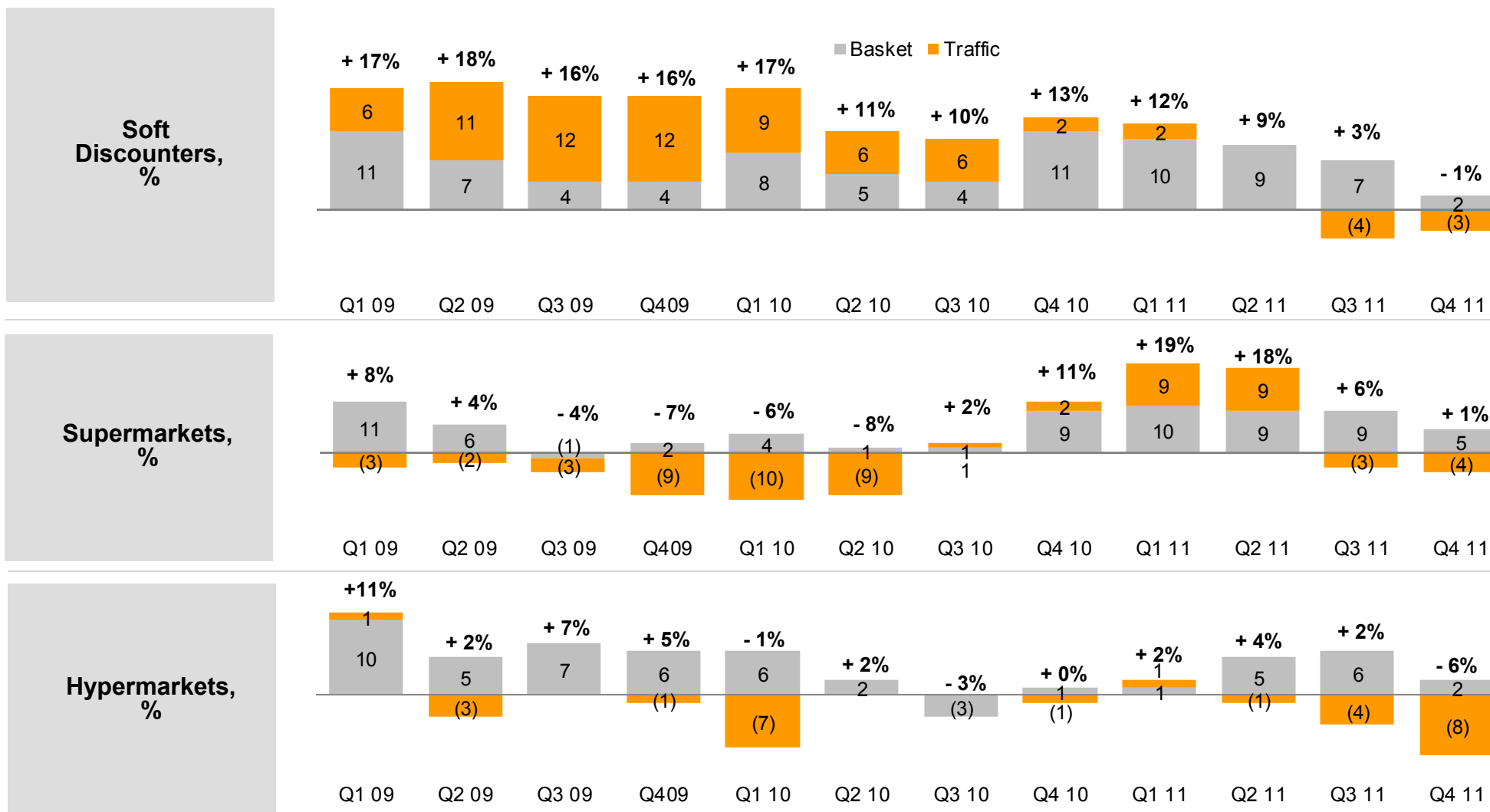
## Rebranding schedule

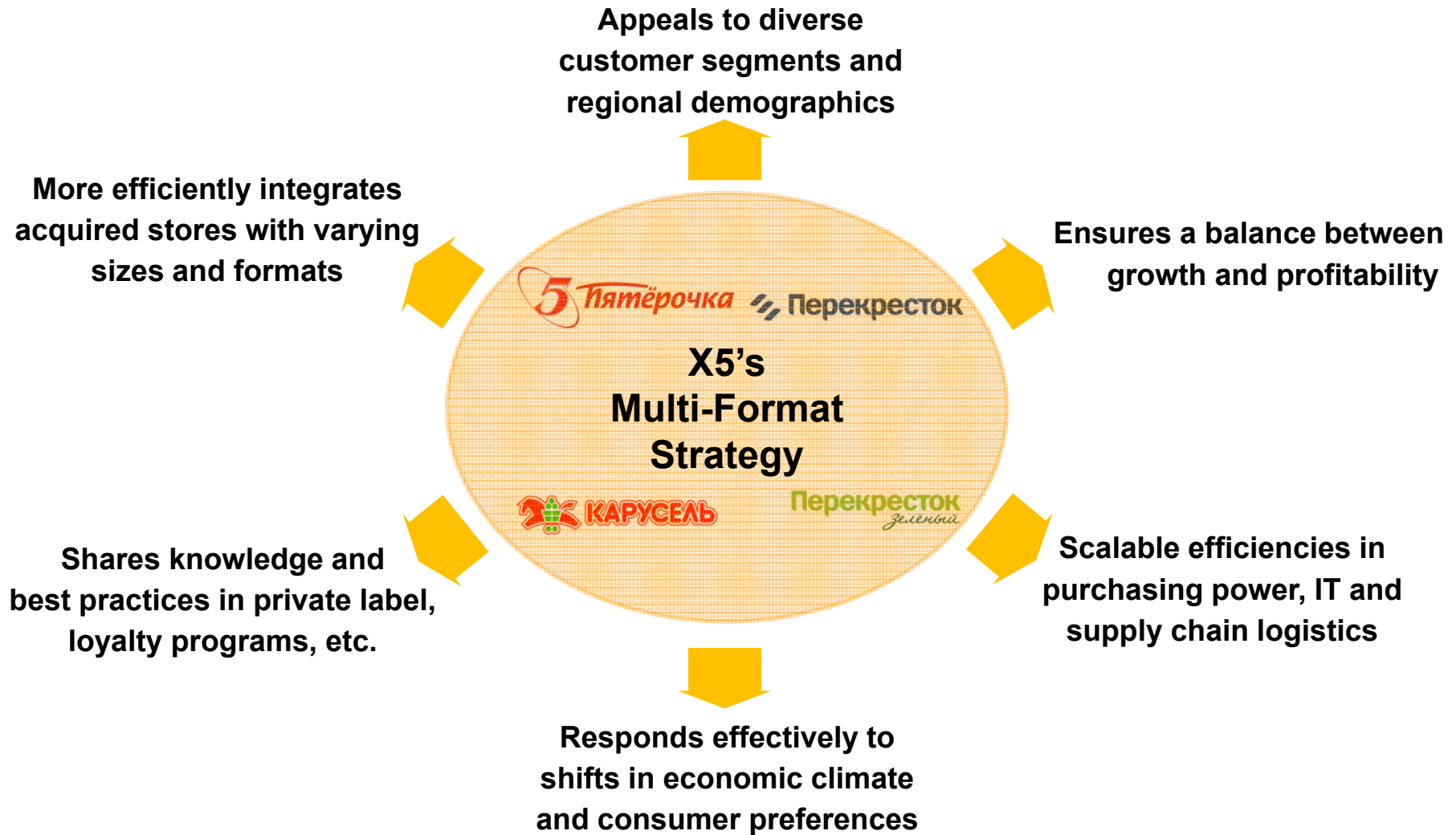


## Integration costs, RUR 2.4 bln



**Completed under budget and ahead of schedule**





## IR Department Contact Details

**Gregory Madick**  
Executive IR Director

X5 Retail Group N.V.  
28 bldg., 4, Sr. Kalitnikovskaya,  
Moscow, Russia

Tel.: +7 (495) 502 97 83  
Mob.: +7 (910) 459 73 56

E-mail: [Gregory.Madick@x5.ru](mailto:Gregory.Madick@x5.ru)

**Anastasiya Kvon**  
IR Director

X5 Retail Group N.V.  
28 bldg., 4, Sr. Kalitnikovskaya,  
Moscow, Russia

Tel.: +7 (495) 792 3511  
Mob.: +7 (926) 358 8545

E-mail: [Anastasiya.Kvon@X5.ru](mailto:Anastasiya.Kvon@X5.ru)

**Andrey Napolnov**  
Senior IR manager

X5 Retail Group N.V.  
28 bldg., 4, Sr. Kalitnikovskaya,  
Moscow, Russia

Tel.: +7 (495) 662 8888 ext. 22-455  
Mob.: +7 (926) 654 6262

E-mail: [Andrey.Napolnov@X5.ru](mailto:Andrey.Napolnov@X5.ru)

[www.x5.ru](http://www.x5.ru)

